



Leading / Thinking / Performing

May 15, 2012

David P. Merrill Jr.
Risk and Benefits Manager
Lake County Board of County Commissioners
Employee Services Department
315 West Main Street
Tavares, FL 32778

Dear Mr. Merrill:

American Appraisal Associates, Inc. will provide Lake County Board of County Commissioners ("Lake County BCC") the appraisal services described within this agreement ("Agreement").

PURPOSE OF THE ENGAGEMENT

The purpose of this engagement is to provide Lake County BCC a property insurance appraisal for insurance placement and risk management as of the last day of our site inspection(s).

ENGAGEMENT SCOPE

We will research and report the insurable value (our "Opinion") of certain Lake County BCC property.

Description of Identified Property

The property is located at various sites as identified by Lake County BCC.

These property classifications will be included in the engagement:

- 1) Buildings
- 2) Personal property/Contents under \$1,000
- 3) Secondary COPE

The personal property consists of the following:

- Machinery and equipment
- Office furniture, fixtures, and office equipment

Assets not identified above will be excluded from the engagement.

If Lake County BCC's insurance policy excludes coverage of specific property classifications, in part or whole, Lake County BCC should notify us in writing prior to beginning the engagement if those assets should be excluded.

We will work with Lake County BCC during the engagement to further refine the scope of the identified property to be included in the engagement, if applicable. Depending on the nature and extent of changes in the scope of the engagement we may need to revise our fee.

Definition of Insurable Value

Our opinion of insurable value will be developed on the basis of cost of reproduction new ("CRN"), defined as the amount required to reproduce a duplicate or a replica of the entire property at one time in like kind and materials in accordance with current market prices for materials, labor, and manufactured equipment; contractors' overhead and profit; and fees, but without provision for overtime, bonuses, or premiums for material or equipment. We consider CRN synonymous with the insurance industry term "replacement cost."

In developing our opinion of insurable value, we will allow for national building codes, however, we will not consider any construction codes imposed by state / provincial or local municipalities, ordinances, or other legal restrictions, nor will we consider the cost of demolition in connection with reconstruction or the cost of removal of destroyed property.

Valuation Methodology

Our appraisal will rely solely on the cost approach because the market and income approaches are not applicable to the purpose of this engagement.

Scope of Work

We anticipate this engagement will include the following:

Buildings

We will utilize a full-scope segregated cost approach including an inspection of each building to identify construction data that will be used in the valuation process. During inspection of the premises, we will calculate each building's area and perimeter by measuring the structure or through an analysis of the as-built blueprints; identify and record data of the major construction components (type of structure, walls, roof, etc.); record data of major service systems (electrical, plumbing, security, elevators, heating, ventilation, cooling, etc.); photograph the building; and record the GPS coordinates. The insurable value of each building and the related construction, occupancy, protection, and exposure data obtained during the inspection will be reported on an itemized basis.

Personal Property – Contents

We will develop an opinion of the insurable value of personal property under \$1,000 through use of a modeling approach which relies on our proprietary database containing data from hundreds of detailed inventories we have performed. The models develop the insurable value of each building's personal property on the basis of building occupancy and square footage. The model can be altered

to account for above or below-average density of personal property. A single insurable value will be reported for each building's personal property.

Secondary COPE Data

Secondary COPE data, with reference to building construction quality, includes specific categories of roof covering/material, roof age, year of roof update, roof geometry, roof anchor, roof equipment hurricane bracing, basement, appurtenant structures, cladding type, roof sheathing attachments, frame-foundation connection, ground level equipment, opening protection, flashing & coping quality and content grade and flood zone certification. RMS construction codes and ISO construction codes will also be provided. RMS Occupancy code, year of construction and number of stories will also be reported. The data elements we will report on require varying levels of inspection, some of which we will not be able to determine without the information provided to us by the on-site contact. Our consultants are neither engineers nor architects and will only report on information as discussed with a location representative and/or through physical observations. We will not report on particular data elements when the necessary information is not available.

TERMS AND CONDITIONS

This Agreement is subject to and incorporates the **Terms and Conditions** attached as **Exhibit A**.

FEE

The fee is \$15,000, including expenses, and will be invoiced as follows:

- \$4,500 upon authorization of the engagement
- Progress billing as time is charged and expenses are incurred

This fee includes issuing the deliverables below and responding to customary questions from Lake County BCC and its insurance brokers or advisors. Additional fee will be required for an increase in engagement scope or involvement in subsequent reviews beyond the customary work effort.

Lake County BCC may cancel this engagement at any time and will only be obligated for fees and expenses incurred. Our fee is not contingent on our Opinion or any subsequent event related to it.

TIMING AND DELIVERABLES

This engagement will require cooperation, access, and timely receipt of requested information from management of Lake County BCC. After this Agreement is signed and all requested information is received, we will begin our analyses and provide our Final report within 6 weeks.

The report will present our Opinion and related narrative discussion of the supporting analyses and assumptions, along with appropriate exhibits. Additional relevant information and analyses considered in our Opinion will be retained in our work files.

May 15, 2012



Only the signed Client of Record, Lake County BCC, is the Intended User of, and may rely on, the report. Lake County BCC may disclose a copy of the report to its insurance broker or advisors.

CONCLUSION

We appreciate the opportunity to serve Lake County BCC. To authorize, please sign below and return the fully executed copy to lflemming@american-appraisal.com. This Agreement shall remain valid for signature for 30 days. Please contact me at 704.439.2515 with any questions.

Sincerely,

Lori C. Flemming
Managing Director

Client of Record:

Lake County Board of County Commissioners

Signature: _____

Name: _____

Title: _____

Date: _____

BARDET SCHWARTZMAN
Procurement Services Manager
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EXHIBIT A – TERMS AND CONDITIONS

Entire Agreement – This is the entire Agreement between American Appraisal and Lake County BCC and supersedes any prior oral or written agreements, and may only be modified in writing. Any purchase order covering this engagement is only for Lake County BCC's internal needs and shall not modify this Agreement.

Client of Record and Limited Reliance – Only the signed Client of Record, Lake County BCC, is the Intended User of, and may rely on, American Appraisal's report. Lake County BCC may not substitute this reliance for its own due diligence. Lake County BCC may disclose a complete copy of our report to its auditor, tax, or legal advisors. However, no third party shall have the right of reliance on the report, and neither receipt nor possession of the report by any third party shall create any express or implied third-party beneficiary rights.

Confidentiality – American Appraisal shall maintain the confidentiality of Lake County BCC's information and will not disclose or use it for any purpose other than Lake County BCC's engagement. This excludes information (i) available to the public, (ii) already in American Appraisal's possession, or (iii) from a party having no confidentiality obligation to Lake County BCC. American Appraisal may include Lake County BCC's name and logo in its client list, with proper reference.

Engagement Limits – American Appraisal's report may only be used for the specific purpose and premise of value stated in this Agreement and the report, and may not be referenced in any SEC filing without American Appraisal's prior written consent.

Independent Contractor – American Appraisal shall perform as an independent contractor, with no authority to bind or obligate Lake County BCC in any way, and reserves the right to use subcontractors.

Information Provided by Lake County BCC – American Appraisal will not independently verify information provided by Lake County BCC, its advisors, or third parties acting at Lake County BCC's direction. American Appraisal will assume and rely on the accuracy and completeness of all such information.

Retention – All files, documents, and work papers developed during the engagement will be retained for five years. During this retention period, Lake County BCC shall have full access to these documents, subject only to reasonable notification. If lawfully compelled to disclose any documents, American Appraisal will provide Lake County BCC written notice so that it may seek a protective remedy, if applicable. Work papers for engagements canceled or abandoned prior to producing a final report will be destroyed.

Indemnification – American Appraisal shall indemnify Lake County BCC for losses and reasonable attorneys' fees associated with any bodily injury or property damage caused by American Appraisal's personnel or representatives in connection with this engagement, except to the extent caused by Lake County BCC's negligence or misconduct. American Appraisal personnel will comply with all safety instructions.

Lake County BCC shall indemnify American Appraisal for all reasonable attorneys' fees that American Appraisal incurs as a result of becoming part of, or named in, an administrative or legal dispute in connection with this engagement, except to the extent caused by American Appraisal's negligence or misconduct. Lake County BCC shall have the right to approve American Appraisal's counsel in any such proceeding.

Environmental Policy – American Appraisal will not investigate, nor assume responsibility for, the existence or impact of any contamination or hazardous substance related to property or assets associated with this engagement.

Governing Law – This Agreement is governed by the laws of Lake County BCC's state as addressed above.